

Fact sheet on Landfill Gas Loophole:

Closing the giveaway on the “Retail Rate Law” Landfill Gas Subsidy

Current law: the “Retail Rate Law” created several large subsidies in the 1980s to encourage the development of market-driven technologies in the waste industry. This included the requirement of utility companies to purchase energy generated from landfill gas collection systems at higher “retail” rates. Tax credits were then given to utility companies to offset the purchase at higher rates.

In 1998, because of a number of environmental issues and the large number of projects seeking subsidies, the General Assembly amended the law to remove other portions of the subsidies, but the landfill gas subsidy remained.

At the time the law was written, this was a new approach to landfill management. Now 20 years later, the technology and market opportunities have matured, making the landfill gas subsidy redundant and unnecessary.

Illinois is the ONLY state that provides subsidies for landfill gas projects. Where Illinois has the second largest number of projects (36) among other states, projects in many other states were developed without aggressive state subsidies.

The U.S. Environmental Protection Agency now mandates the installation of gas collection systems on all new landfills and existing landfills with a capacity of more than one million tons. Utilization of this now proven energy technology creates a revenue stream that more than offsets the cost of the systems.

There is also an additional tax credit provided by the federal government (Section 29 federal tax credit), as well as an additional federal tax credit under the proposed Federal Energy Bill. These negate the need for the country’s only state subsidy of the systems.

Cost to taxpayers:

In FY 2002, the state lost \$32.2 million in state revenues. In FY 2001, the amount given away was \$23.7 million.

Very few companies receive the subsidies for the gas collection systems. Most of these are operated by out-of-state companies.